



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

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Jane Dee Hull
Governor

John L. Clayton
Director

March 7, 2002

WORKFORCE INFORMATION POLICY (WIP) MEMO #05-02

SUBJECT: Accrued Expenditure and Obligation Guidance

REFERENCE: PL 105.220 Workforce Investment Act (WIA) of 1998 dated August 7, 1998; 20 CFR Part 652 et al. WIA Final Rules dated August 11, 2000

BACKGROUND: As the Governor's representative, the Arizona Department of Economic Security (DES), Workforce Development Administration (WDA) is responsible to ensure compliance with financial grant management (cash and expenditure) in accordance with instructions issued by the U.S. Department of Labor (DOL).

ACTION REQUIRED: The enclosed document entitled "Fiscal Definitions" provides Local Workforce Investment Areas (LWIAs) with compliance information related to accurate reporting of WIA accrued expenditures (outlays) and obligations. Please distribute copies to all staff members who generally participate in financial and administrative processes.

If you have any questions, please contact Mr. Dean Grana or Mr. Rich Utzig at (602) 542-3957.

Sincerely,

Stan Flowers
Program Administrator (Actg)
Workforce Development Administration

SF:RU:mb

Enclosures

**STATE OF ARIZONA
DEPARTMENT OF ECONOMIC SECURITY
WORKFORCE DEVELOPMENT ADMINISTRATION**

FISCAL DEFINITIONS

To ensure a common understanding of the terminology associated with WIA financial reporting requirements, the following set of definitions of critical terms are provided.

OBLIGATION – The dollar amount representing orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require a payment by the grantee within the same period each program year [29 CFR 97.3]. In the case of orders, contracts and awards, this generally is in the form of an official document. Staff salaries and related costs, or other ongoing internal operations costs are generally obligated as they are incurred.

(*EXAMPLE:* The value of an ITA issued to an institution to provide training for participants, but the cost has not yet been incurred.)

OUTLAYS (expenditures) – Charges made to the project or program. Outlays are to be reported on an accrual basis. For reports prepared on an accrued basis, outlays are the sum of actual cash disbursements, the dollar amount of indirect expenses incurred, the value of in-kind contributions applied, and the new increase (or decrease) in the amounts owed by the grantee for goods and other property received, for services performed by employees, contractors, subgrantees, subcontractors, and other payees, and other amounts becoming owed under programs for which no current services or performance are required, such as annuities, insurance claims, and other benefit payments [29 CFR 97.3].

(*EXAMPLE:* On a yearly building rental, 1/12 of total amount should be expensed at the end of each month.)

ACCRUED EXPENDITURES – The charges incurred by the grantee during a given period requiring the provision of funds for:

- (1) Goods and other tangible property received;
- (2) Services performed by employees, contractors, subgrantees, subcontractors, and other payees; and
- (3) Other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments [29 CFR 97.3].

(*EXAMPLE:* A six month training program running from January 1 through June 30 should show 1/6 of cost accrued on the last day of each month. If full tuition is due at start of training and withdrawal/refund period ends, full amount can be expensed at that time.)

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FISCAL DEFINITIONS (Cont'd)

UNLIQUIDATED OBLIGATIONS - For reports prepared on an accrued basis, this represents the amount of obligations incurred by the grantee (see definition above) for which an outlay (see definition above) has not been recorded or reported.

OBLIGATIONS LESS OUTLAYS = UNLIQUIDATED OBLIGATIONS

UNOBLIGATED BALANCE – The portion of funds authorized that has not been obligated by the grantee and is determined by deducting the cumulative obligations (see definition above) from the cumulative funds authorized.

FUNDS AUTHORIZED MINUS (-) OBLIGATIONS = UNOBLIGATED BALANCE